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Rehabilitation of historic buildings can provide an economic boon

BY CHUCK LESNICK • AUGUST 29, 2008

While our state faces tough choices in this time of revenue shortfalls and budget deficits, Gov. David Paterson must continue to support and invest in programs that will accelerate our economic recovery. By signing the expanded Rehabilitation Tax Credit Programs legislation into law, Gov. Paterson will enable the core of our communities, namely the downtowns and older neighborhoods, to reap economic stimulus, which will ultimately generate increased tax revenue for local municipalities as well as the state.

That's why this bill and its timing are so important. It corrects the low-incentive levels and restricted availability of the 2006 NYS Rehabilitation Tax Credit for historic commercial (income-producing) and residential (owner-occupied) structures. These restrictions have severely diminished the program's potential to fuel community revitalization and economic development as it suffers from a significant lack of use.

The new bill, however, offers greater incentives. The residential rehabilitation program extends program availability while still targeting need by including historic homes in census tracts at or below 90 percent state median family income. In Westchester, 45 census tracts would qualify in Harrison, Mount Pleasant, Mount Vernon, New Rochelle, Ossining, Peekskill, Rye and Yonkers. In Rockland, two census tracts in Haverstraw and eight in Ramapo would quality. None in Putnam would qualify for the residential program.

The expanded residential program increases the maximum credit available for residential properties to $50,000 and allows owners with less than $60,000 of annual income to take the residential credit as a rebate, allowing them to reinvest in further property improvements. In places like Yonkers, where new development is sprouting alongside older homes, this program will help residents rehabilitate and keep their homes where families have lived for generations. In upstate communities where housing markets are weaker, the expanded program will address vacancy, demolition and affordable housing issues by renewing and reclaiming older housing in community cores.

Restrictions of the current commercial property rehabilitation program have kept projects in New York state from more frequently utilizing the federal rehabilitation tax credit program. The expanded state program would raise credit value to $5 million and the credit rate to 10 percent of qualified rehabilitation costs, more effectively pairing with the federal tax credit program to increase investment in rehabilitation and reuse of historic commercial structures.

These changes represent program improvements that are critically necessary to spur private investment in historic commercial properties in our municipal cores. As an attorney specializing in historic tax benefits, I note their particular value to upstate New York redevelopment efforts, where the federal rehabilitation program has seen little use over the last decade because it alone does not offer the level of incentive needed to spark reinvestment in upstate municipalities.

Other states offer generous rehabilitation tax credits, and have reaped significant fiscal and economic benefits as a result. Rhode Island reports returns of $3, and Missouri reports returns of $5 in increased tax revenue for every state dollar invested in rehabilitation tax credit programs. Advocates of the rehabilitation tax credit program in Rhode Island have hailed it as the most successful economic development tool in state history.

Expanding the New York Rehabilitation Tax Credit will serve many economic development and municipal reinvestment goals across New York by directing new investment back to existing infrastructure, supporting smart-growth planning, conserving energy use, and promoting open space and farmland conservation efforts.

The energy benefits of adaptively reusing buildings, rather than demolishing them and landfilling the construction debris, equals recycling 1,344,000 nickel deposit aluminum cans for a two-story brick masonry structure.

In Yonkers, where the City Council recently created the city's first mixed-use historic district downtown across from Philipse Manor, and where a Demolition Review Order was recently implemented by our Landmarks Board, these incentives will make redevelopment of historic structures economically viable. Those of us in government who restrict development have a responsibility to support historically appropriate redevelopment. It is always a shame when landmarked structures remain vacant and eventually collapse due to neglect and the absence of workable rehabilitation financing.

This legislation has the support of every state legislator in the Hudson Valley and is expected to land in Albany later this month. Despite the tough economic times facing New York state - perhaps because of them - it is imperative that Gov. Paterson sign the expanded Rehabilitation Tax Credit Programs into law.

The writer is Yonkers City Council president and a founder of Historic Facades LLC, specializing in the monetization of historic tax benefits. He states that the new standards for tax benefits addressed in this article have the potential to help several projects under consideration in Yonkers. Lesnick adds: "One project I am currently working does qualify for the State Historic Tax credit, and qualifies under both the standard implemented in 2006 and the new standard awaiting the governor's signature. None of the others qualify under either the 2006 standard or the new standard. Thus, none of the projects that I worked on other than in my role as council president, or am currently working on, will benefit from the enactment of the new standard."